

VZCZCXYZ0010
RR RUEHWEB

DE RUEHHK #0859/01 1340305
ZNR UUUUU ZZH
R 130305Z MAY 08
FM AMCONSUL HONG KONG
TO RUCPDOC/USDOC WASHDC
INFO RUEHC/SECSTATE WASHDC 4844
RHMFIUHQ BICE WASHINGTON DC

UNCLAS HONG KONG 000859

USDOC FOR 532/OEA/LHINES/SSILVER
USDOC FOR 3132 FOR FCS/OIO REGIONAL DIRECTOR WILLIAM ZARIT
BICE FOR OFFICE OF STRATEGIC INVESTIGATIONS

SIPDIS

E.O. 12958: N/A

TAGS: BMGT BEXP HK ETRD ETTC

SUBJECT: EXTRANCHECK: POST-SHIPMENT VERIFICATION: NIKKO TECH.
INDUSTRIAL LTD., HONG KONG

REF: A) USDOC 02559 B) USDOC 02557 C) USDOC 02562 D) USDOC 02561 E)
USDOC 02560 F) USDOC 02558 G) USDOC 02556

¶1. Unauthorized disclosure of the information provided below is prohibited by Section 12C of the Export Administration Act.

¶2. As per reftel A request and at the direction of the Office of Enforcement Analysis (OEA) of the USDOC Bureau of Industry and Security (BIS), Export Control Officer Philip Ankel (ECO) conducted a series of post-shipment verifications (PSVs) at Nikko Tech. Industrial Ltd., Hong Kong, Flat 7, 13/F Wah Yiu Ind. Ctr., 30-32 Au Pui Wan St., Shatin, Hong Kong (Nikko Tech). The items in question are various high value shipments of industrial lubricating oil exported to Nikko Tech on various dates from 2005 to 2008. The exporter classified the items as EAR99. EAR99 items may be exported or reexported to most destinations and to most end-users/end-uses worldwide license free. The exporter was Inland Vacuum Industries of Churchville, New York.

¶3. A review of Hong Kong Companies Registry reveals that Nikko Tech was registered in 2004 and has paid-up capital totaling the Hong Kong equivalent of USD 1. Its directors are Hong Kong Residents Ip, Shui Shuen and Wong, Fung Lin Sally. The Hong Kong Companies Registry lists neither individual as a director in any other Hong Kong company.

¶4. According to its website (www.nikkotech.com.hk), the company was founded in 2001 and its primary area of business is in sales of Printed Circuit Board (PCB) manufacturing equipment and related parts and components. Most of Nikko Tech's customers are located in southern China. Nikko Tech also has an affiliate located in Shenzhen, mainland China. Nikko Tech is the authorized distributor of March Plasma Systems, Inc. and Sumitomo Heavy Industries, Ltd.

¶5. On May 8, 2008, ECO, accompanied by Commercial Assistant Carrie Chan visited the company at the address note above and met with Ms. Sally F.L. Wong, Marketing Manager. The offices are modest (one large room split into several sub-offices) and Ms. Wong was the only person present at the company. Her business card lists a Zhuhai address and contact details as well. According to Ms. Wong, the Zhuhai office includes the company's sales and maintenance staff.

¶6. According to Ms. Wong, Nikko Tech is a trading company that deals primarily in PCB manufacturing machinery and related parts and equipment. Its customers are located in mainland China and include Multek Hk. Ltd., Viasystems Kalex Printed Circuit board Limited, Oriental Printed Circuits Limited and Elec and Eltek Multilayer PCB Ltd. According to Ms. Wong, the lubricating oil that is the subject of the PSVs is used in pumps that are part of PCB manufacturing machinery. Those machines are quite expensive (USD 125,000 each) and require lubricating oil of a very specific grade and character. Nikko Tech sells the underlying machinery and is therefore the authorized supplier of the lubricating oil for that machinery. Nikko Tech does not sell any of the lubricating oil outside of Hong

Kong and mainland China. It does not sell the oil to other trading companies in Hong Kong or mainland China. Other PCB factories may find other, cheaper, alternatives in mainland China but Nikko Tech supplies this oil in support of machines it has already sold.

¶7. When asked about specific shipments, Ms. Wong provided the ECO with access to the applicable documentation regarding those shipments as detailed below. The company's records were well maintained and ECO was able to see the logbook of shipments for the company. ECO notes that all shipments in that logbook were destined to the customers noted in paragraph six above. Ms. Wong confirmed that all shipments for Nikko Tech come first to Nikko Tech's offices and are subsequently transferred to customers.

¶8. Shipment referenced in Reftel A: Ms. Wong was unable to locate this shipment by reference to the date of shipment and items listed in Reftel A. However, a closer review of the Commercial Invoice (No. 021049) provided to ECO by OEA reveals that this shipment was actually sent to Nikko Tech on or about April 11, 2007 not March 17, 2008 as listed in Reftel A. Mr. Wong provided documentation confirming two deliveries (one on April 25, 2007 and one on May 25, 2007) of Halovac 190 to Viasystems Kalex PCB Limited (Viasystems) in Hong Kong. The amounts delivered to Viasystems correspond to the amounts delivered to Nikko Tech.

¶9. Shipment referenced in Reftel B: According to documentation provided by OEA, the U.S. exporter shipped eleven kilograms of Fomblin Y25/6 to Nikko Tech in October 2005. Ms. Wong provided documentation confirming delivery of ten kilograms of Fomblin Y25/6 to Multek Electronics on November 15, 2005. She further stated that the larger order placed with the U.S. exporter had been placed on behalf of more than one buyer. Ms. Wong stated that, given that the transaction occurred some time ago, she was unable to locate the delivery document for the remaining one kilogram of Fomblin Y25/6.

ECO also reviewed the underlying purchase order from Multek and related Hong Kong import clearance document for this shipment.

¶10. Shipment referenced in Reftel C: Ms. Wong provided documentation confirming delivery of one five gallon container of Halovac 190 to Viasystems in Hong Kong on September 29, 2006. The amounts delivered to Viasystems correspond to the amounts delivered to Nikko Tech by the U.S. exporter. ECO also reviewed the underlying purchase order from Viasystems for this shipment and related Hong Kong import clearance document for this shipment.

¶11. Shipment referenced in Reftel D: According to documentation provided by OEA, the U.S. exporter exported five gallons of Fomblin Y25/6 and 10 kilograms of Halovac 190 to Nikko Tech on or about August 8, 2007. Ms. Wong provided documentation confirming delivery of five gallons of Fomblinoil and ten one kilogram units of Halovac 190 oil to Viasystems on August 29, 2007. The ECO also reviewed the underlying purchase order from Viasystems for this shipment and related Hong Kong import clearance document. ECO notes that Ms. Wong stated that the five gallons of Fomblinoil in her delivery note corresponds to the item entitled Fomblin Y25/6 in the export documentation from the United States.

¶12. Shipment referenced in Reftel E: Ms. Wong provided documentation confirming delivery of ten gallons of Halovac 190 and five gallons of Fomblin Y25/6 to Viasystems. The amounts delivered to Viasystems correspond to the amounts delivered to Nikko Tech by the U.S. exporter. ECO also reviewed the underlying purchase order from Viasystems for this shipment and related Hong Kong import clearance document.

¶13. Shipment referenced in Reftel F: Ms. Wong provided documentation confirming delivery of 10 gallons of Fomblin Y25/6 oil to Viasystems on March 20, 2008. The amounts delivered to Viasystems correspond to the amounts delivered to Nikko Tech by the U.S. exporter. ECO also reviewed the underlying purchase order from Viasystems for this shipment and related Hong Kong import clearance document.

¶14. Shipment referenced in Reftel G: Ms. Wong provided documentation confirming delivery of five gallons of Halovac 190 to

Viasystems on February 22, 2008. The amounts delivered to Viasystems correspond to the amounts delivered to Nikko Tech by the U.S. exporter. ECO also reviewed the underlying purchase order from Viasystems for this shipment and related Hong Kong import clearance document.

¶115. ECO found Ms. Wong answers to ECO's question to be credible and she provided virtually all applicable documents for review that were requested by the ECO. Based on a review of the underlying documents and interview with Ms. Wong, ECO finds no evidence that the items that were the subject to these PSVs have been diverted to centrifuge or other programs of concern in Iran or elsewhere.

Cunningham